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Thailand: Bangkok has dropped its talk of withdrawing Thai troops from South Vietnam.

Prime Minister Thanom said in a press conference last week that his government has acceded to a South Vietnamese request to withhold any decision to withdraw the troops and would postpone consideration of a pull-out until a more "suitable" time. Thai Foreign Ministry spokesmen subsequently confirmed the decision to US officials in Bangkok.

Bangkok was not expected to initiate any early troop reductions. Foreign Minister Thanat's primary aim last month in opening discussions with Saigon on the subject was to publicize Thai support for the Vietnamization program and the Saigon government. He assured the South Vietnamese that Bangkok had no desire to reduce its troop contingent without Saigon's concurrence.

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Indonesia: National elections in 1971 now seem likely.

On the strength of election laws passed in November, President Suharto on 17 January installed a General Election Board under the chairmanship of the home affairs minister. In his accompanying address, Suharto stated that the postponement of elections "cannot be justified."

Congress decreed in 1968 that elections should be held one and a half years after the enactment of the general election law. That law has now been passed, thereby in effect scheduling elections sometime before mid-1971. Parliament has yet to define what organizations can actually participate in the elections. It has stipulated, however, that the government will appoint from the military and non-political organizations about one fourth of Parliament (which legislates) and one third of Congress (which determines broad lines of national policy, and meets less frequently than Parliament.)

Despite some misgivings, Suharto and his advisers apparently are convinced of the political necessity of going forward with elections if public confidence in the administration is to be retained. They may also feel that by mid-1971, economic improvement will have advanced enough so that their earlier argument that political activity must wait on the economy would no longer be acceptable.

Even though a momentum that would be difficult to reverse has been established, Suharto and other government leaders remained concerned over the possible fragmenting effect of popular politics and the electoral process in Indonesia's diverse society. In his address on 17 January, as in previous statements to political organizations, Suharto urged that national unity and economic and political stability be placed above group interests.

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Italy: The four center-left parties have made some progress toward agreement on a new coalition, and outbreaks of violence in Milan over the past two days are likely to increase their efforts.

All four parties apparently agree that it is better to attempt to form a new government before the local and regional elections in the spring rather than to continue with the present minority government. A key problem is to define the relationship between the prospective government and the Italian Communist Party (PCI). The right-wing Unitary Socialists, a majority of the Christian Democrats, and the small Republican Party believe the government should not bargain with the PCI for its support on legislation.

In contrast, the orthodox Socialists and part of the Christian Democratic left wing want experimental cooperation in Parliament with the PCI on specific issues. A compromise formula put forth by Christian Democratic Secretary Forlani emphasizes that the majority must be strong enough to deal with the PCI on the government's own terms. Recent modification of the hard position of the right-wing Socialists on this question will contribute to an earlier formation of the new government.

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Yugoslavia: The economy experienced a general boom last year.

Industrial and agricultural production grew rapidly and wages grew sufficiently to offset the eight-percent rise in the cost of living.

Foreign trade also grew substantially and continued to expand with non-Communist countries. The share of trade with the developed West again rose as a proportion of total Yugoslav trade, primarily at the expense of trade with CEMA countries. Trade with the USSR not only failed to meet the official target, but actually declined by five percent.

The decrease with CEMA countries is partly due to Yugoslavia's inability to use the sizable clearing account surpluses accumulated with its CEMA partners in recent years. Despite efforts during 1969, Yugoslavia was unable to reach agreement with any CEMA trade partners to eliminate these clearing arrangements.

The trade deficit increased in 1969, but because data on invisible earnings are not yet complete, the final balance-of-payments picture is not clear. Earnings from tourism grew substantially, and these and other invisible earnings will probably cover a large part of the trade deficit.

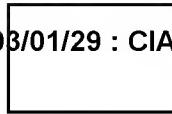
Economic officials anticipate continued growth in 1970 and hope that problems such as price increases can be kept under control without additional administrative measures. A recent resolution on economic policy in 1970 predicts a "considerable" reduction in the balance-of-payments deficit through a continued growth in exports. Yugoslavia, however, will be faced at that time with increased repayments on long-term indebtedness.

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Lebanon: The economy, hurt by the 23-day border closing with Syria last October and internal problems caused by fedayeen activities and Israeli reprisals, continues its slow deterioration.

The highly vulnerable service sector, which accounts for two thirds of Lebanon's gross national product, has been hardest hit. [redacted]
[redacted] the important tourist industry has been significantly affected.

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With economic activity ebbing, the government is facing problems meeting increased expenditure for defense and development efforts and is seeking aid from other countries. It has asked the US for about \$12 million in PL-480 commodities, which would be sold on the local market to generate development funds. At the same time the prime minister and the foreign minister are planning to tour Arab countries in search of assistance.

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Somalia: The Supreme Revolutionary Council has adopted several new laws that give it virtually unlimited powers of detention, trial, and punishment over anyone suspected of opposing the regime.

The laws were promulgated on 10 January, but were made retroactive to 21 October, the date of the coup. Until now the council had not formally assumed such extensive powers, although it has been able to enforce its authority whenever necessary. Except for a complete reorganization of the Supreme Court, the basic judicial apparatus existing before the coup has remained relatively untouched.

It is not entirely clear why the council has chosen to take this step now. The move may reflect a feeling of insecurity on the part of the regime arising from rumors of plotting and popular opposition that constantly circulate throughout the country. When these new laws become generally known--thus far they have only appeared in the government's bulletin--they could produce serious adverse reaction among Somali citizens, who traditionally have been highly mistrustful of centralized authority.

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West Germany - Berlin: The East Germans have continued to harass West German travelers driving to and from West Berlin. Rail traffic has not been disrupted nor have Allied travelers been affected by the East German disruptions. The Communists also employed another of their standard harassing tactics yesterday by creating sonic booms over West Berlin. Nevertheless, West German Foreign Ministry officials believe the current harassments are mild enough to indicate that the Communists do not want any serious trouble over Berlin at this time.

Chancellor Brandt dispatched his promised letter to East German Premier Stoph yesterday, earlier than expected, proposing formal talks on renunciation of force. Although the talks are not expected to begin anytime soon, this prompt move may be intended to ease the situation by emphasizing Bonn's readiness for talks despite the current difficulties.

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Nigeria: Large numbers of civilians have been returning to towns in the former Biafran enclave, and federal forces have not as yet encountered any major security problems. All responsible foreign observers agree that these civilians have not been deliberately mistreated on any significant scale. Looting and rape have occurred, however, and there is an increasing possibility of a further breakdown of discipline among occupying federal troops. Some Nigerian soldiers have been commandeering vehicles, thereby adding to already serious disruption in the flow of relief supplies that occurred when the federal forces moved in.

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Pakistan: Violence may erupt again in Dacca on Saturday when a widely supported dawn-to-dusk general strike is scheduled to begin. Strikes and public meetings earlier this week generated serious disturbances that prompted President Yahya Khan to issue a statement warning political leaders to keep their supporters under control. East Pakistanis on Saturday will be commemorating the massive Bengali demonstrations in Dacca last year that eventually brought down the Ayub regime.

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Libya: Long-standing demands for an upward revision of the posted price for Libyan oil will be pursued vigorously by the new government. Libya is expected to ask for an increase of at least 10 cents per barrel to approach parity with Middle East oil available at the pipeline terminals at Mediterranean ports. The oil companies probably will resist this demand on legal grounds rather than on the economic merits of the demand. One of the several companies with principal interests only in Libya, however, may capitulate, thereby making it necessary for other companies to follow suit.

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Mexico: The federal government has had to move troops into the western state of Durango to put down continuing disorders. Early this month dissidents tried to oust the governor for malfeasance, and student protesters seized the state palace. Last weekend the dissidents destroyed rail lines and created other disturbances. During this period of campaigning for the elections in July, the government is placing a high premium on political tranquility and is hoping for a quiet local solution in Durango. Similar action by student-led dissidents in 1966 succeeded in ousting the governor, but President Diaz Ordaz appears to be supporting the current incumbent.

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